Maryland Association Of Certified Public Accountants, Inc. And Related Organizations

Financial Statements

For The Years Ended
June 30, 2013 And 2012

HERTZBACH & COMPANY, P.A.
Certified Public Accountants & Consultants

Maryland Association Of Certified Public Accountants, Inc. And Related Organizations

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HERTZBACH & COMPANY, P.A.
Certified Public Accountants & Consultants

Independent Auditor's Report

To The Board Of Directors
And Members
Maryland Association Of Certified Public Accountants, Inc.
Dulaney Center II
901 Dulaney Valley Road, Suite 710
Towson, Maryland 21204

We have audited the accompanying consolidated financial statements of the Maryland Association Of Certified Public Accountants, Inc. and Related Organizations which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the of the entity's internal controls . Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Association Of Certified Public Accountants, Inc. and Related Organizations as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hertzbach & Company, P.A.

Owings Mills, Maryland
September 19, 2013

CONSOLIDATED FINANCIAL STATEMENTS

Maryland Association Of Certified Public Accountants, Inc. And Related Organizations
Consolidated Statements Of Financial Position

June 30,	2013	2012
Assets		
CURRENT ASSETS		
Cash And Cash Equivalents	$ 1,446,525	$ 1,386,531
Investments	2,220,316	1,998,032
Accounts Receivable, Net:		
Dues	1,030,831	1,229,847
Other	316,837	450,022
Inventory And Prepaid Expenses	137,872	140,394
Total Current Assets	5,152,381	5,204,826
PROPERTY, EQUIPMENT, AND SOFTWARE		
Office Furniture And Equipment	427,119	419,634
Leasehold Improvements	79,902	79,902
Software And Website Development	234,254	309,941
	741,275	809,477
Less: Accumulated Depreciation	628,344	734,622
Total Property, Equipment, And Software, Net	112,931	74,855
OTHER ASSETS		
Deposits	3,755	3,755
TOTAL ASSETS	$ 5,269,067	$ 5,283,436
Liabilities And Net Assets		
Accounts Payable And Accrued Expenses	$ 594,113	$ 708,645
Deferred Revenue:		
Dues	2,303,080	2,260,422
Other	360,345	327,405
TOTAL LIABILITIES	3,257,538	3,296,472
UNRESTRICTED NET ASSETS	2,011,529	1,986,964
TOTAL LIABILITIES AND NET ASSETS	$ 5,269,067	$ 5,283,436

See Accompanying Notes To Financial Statements

Maryland Association Of Certified Public Accountants, Inc. And Related Organizations
Consolidated Statements Of Activities

For The Years Ended June 30,	2013	2012
REVENUE AND GAINS		
Membership Dues	$ 2,132,858	$ 2,071,874
Professional Development Program Fees	3,742,409	3,977,247
Self-Regulation Fees	189,920	187,715
Net Investment Income	256,868	47,210
Advertising And Sponsorships	380,034	263,285
Other	66,690	84,194
Total Revenue And Gains	6,768,779	6,631,525
EXPENSES AND LOSSES		
Professional Development Programs	3,942,680	3,856,518
Self-Regulation And Legislation	401,278	387,342
Committees And Member Functions	51,713	61,248
Marketing And Communications	612,098	666,819
Administration	1,736,445	1,694,225
Total Expenses And Losses	6,744,214	6,666,152
CHANGE IN UNRESTRICED NET ASSETS	24,565	(34,627)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	1,986,964	2,021,591
UNRESTRICTED NET ASSETS, END OF YEAR	$ 2,011,529	$ 1,986,964

Maryland Association Of Certified Public Accountants, Inc. And Related Organizations

Consolidated Statements Of Cash Flows

For The Years Ended June 30,	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Membership Dues Received	$ 2,376,131	$ 2,256,977
Professional Development Program Fees Received	3,862,018	3,958,407
Other Fees Received	672,385	570,314
Interest And Dividends Received	50,248	53,887
Salaries And Benefits Paid To Employees	(2,484,309)	(2,433,405)
Cash Paid To Suppliers	(4,311,171)	(4,192,969)
Net Cash And Cash Equivalents Provided By Operating Activities	165,302	213,211
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From Sale Of Investments In Marketable Securities	663,537	503,845
Purchases Of Investments In Marketable Securities	(674,599)	(567,103)
Purchases Of Property, Equipment, And Software	(94,246)	(28,748)
Proceeds From Sale Of Property, Equipment, And Software	-	424
Net Cash And Cash Equivalents Used In Investing Activities	(105,308)	(91,582)
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,994	121,629
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,386,531	1,264,902
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,446,525	$ 1,386,531
RECONCILIATION OF CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Change In Unrestricted Net Assets	$ 24,565	$ (34,627)
ADJUSTMENTS TO RECONCILE CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Depreciation And Amortization Expense	55,346	79,676
Loss On Sale Of Property, Equipment, And Software	825	5,262
Bad Debts	4,575	5,832
Net Realized And Unrealized (Gains) Losses On Investments In Marketable Securities	(206,645)	7,303
(Increase) Decrease In:		
Accounts Receivable	323,048	98,888
Inventory And Prepaid Expenses	2,522	(32,821)
Increase (Decrease) In:		
Accounts Payable And Accrued Expenses	(114,532)	(11,257)
Deferred Revenue	75,598	94,955
Net Cash And Cash Equivalents Provided By Operating Activities	$ 165,302	$ 213,211

See Accompanying Notes To Financial Statements

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION – The Maryland Association Of Certified Public Accountants, Inc. (MACPA) and its related organizations provide professional development, regulatory, promotional and advocacy services to its members, supporting their efforts to conform to the highest standards of professional service and conduct. Most of the members are Certified Public Accountants practicing in firms or employed by companies, non-profit organizations, schools, or government agencies located in Maryland. MACPA and its related organizations' revenues will be influenced by changes in the profession and the regional economy.

PRINCIPLES OF CONSOLIDATION – These consolidated financial statements include the resources and activities of the MACPA (a nonprofit organization), its seven chapters, its wholly-owned for-profit subsidiary, Business Learning Institute, Inc. (BLI, Inc.), and the related nonprofit organization of the Maryland Association of Certified Public Accountants Educational Foundation, Inc. (the Foundation) (see Note 6), which has been consolidated in accordance with accounting principles generally accepted in the United States of America. As used in herein, the "Association" includes the MACPA, BLI, Inc., and the Foundation.

All significant intercompany accounts and transactions have been eliminated in consolidation.

ACCOUNTING ESTIMATES – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenue and expenses during the year. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS – For purposes of the consolidated statements of cash flows, the Association considers all investment instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents.

The Association maintains cash balances at a financial institution located in the Baltimore metropolitan area. These balances are secured by the Federal Deposit Insurance Corporation. At June 30, 2013, cash balances exceeded the insured amount by approximately $1,181,000.

INVESTMENTS IN MARKETABLE SECURITIES – The Association records investments in marketable securities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurement. Realized and unrealized gains and losses are recorded in the statement of activities as components of net investment income.

PROPERTY, EQUIPMENT, AND SOFTWARE – Property, equipment, and software, including website development costs, are stated at cost. Depreciation and amortization are computed over the estimated useful lives using the straight-line method. Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter. The estimated useful lives of the related assets are as follows:

Software And Website Development Costs	2 - 5 years
Office Furniture And Equipment	3 - 10 years
Leasehold Improvements	4 - 10 years

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was $55,346 and $79,676, respectively.

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE – Management estimates the net realizable value of accounts receivable by reviewing the Association's detail accounts receivable, current and past-due. Based upon this review, management estimates the amount that may not be collectible. This estimate is the basis for the allowance for doubtful accounts. As of June 30, 2013 and 2012, the Association established an allowance for doubtful accounts in the amount of $25,230 and $20,655, respectively.

Membership dues are billed in advance of the corresponding membership year. Management recognizes dues receivable and the related deferred revenue at the time of these billings. Dues receivable from advance billings represented 77% and 73% of total accounts receivable as of June 30, 2013 and 2012, respectively.

DONATIONS – The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. In addition, interest income, dividend income, realized gains (losses), and unrealized gains (losses) generated from temporarily restricted net assets is recorded and classified as unrestricted net assets unless otherwise required by the donor.

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. All donations are recorded as revenue when received.

REVENUE RECOGNITION – Membership dues are recognized as revenue over the membership year, which coincides with the Association's fiscal year. Any uncollected dues at the end of each year are written off, and the related memberships are terminated. Dues billed in advance of the membership year are deferred until earned.

Revenue relating to professional development programs, including continuing education and consulting, are recognized when the programs are presented. Registration fees received prior to presentation are deferred until earned.

Accounting firms enrolled in the peer review program are assessed annual dues (self-regulating fees) for ongoing administrative costs. Revenue is recognized as the dues are assessed. Fees associated with triennial peer review examinations are recognized when the final report is accepted.

CONTRIBUTED SERVICES – Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills that would otherwise be purchased by the association. Volunteers do periodically contribute their time and services to the activities of the Association. However, the value of these contributed services is not reflected in these consolidated financial statements as the recognition criteria was not met.

ADVERTISING AND WEBSITE COSTS – Costs incurred in the planning stage of developing a website and costs incurred for website maintenance are expensed as incurred. Costs incurred for website enhancement are generally capitalized and depreciated over the estimated useful life. Costs of advertising and promotional campaigns are expensed as incurred.

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSES – The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

INVENTORY – Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

RECLASSIFICATION – Certain 2012 balances have been reclassified to conform to the 2013 format.

2. INVESTMENTS

The MACPA and the Foundation maintain reserve funds invested in marketable securities with the goals of preservation of capital and purchasing power. The targeted asset allocation prescribed in the Investment Policy is 65% equities and 35% fixed income securities. The Association held investment assets of $1,971,824 and $1,768,340 at June 30, 2013 and 2012, respectively. The Foundation held investment assets of $248,492 and $229,692 at June 30, 2013 and 2012, respectively.

Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2
Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

2. INVESTMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value.

Equity And Fixed Income Securities
Valued at the quoted prices in active markets for identical assets.

Mutual Funds
Valued at the net asset value of shares held at year end. Assets are traded on an open market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Association's investment assets at fair value as of June 30, 2013 and 2012:

Assets At Fair Value As Of June 30, 2013

	Level 1	Level 2	Level 3	Total
Fixed Income Securities:				
Government Sponsored Enterprise Securities	$ 319,431	$ -	$ -	$ 319,431
U.S. Treasury Notes	160,367	-	-	160,367
Corporate Bonds	119,076	-	-	119,076
Total Fixed Income Securities	598,874	-	-	598,874
Equity Securities:				
Consumer Goods Industry	$ 153,768	$ -	$ -	$ 153,768
Industrial Goods Industry	170,795	-	-	170,795
Services Industry	331,569	-	-	331,569
Technology Industry	220,528	-	-	220,528
Other	496,290	-	-	496,290
Total Equity Securities	1,372,950	-	-	1,372,950
Mutual Funds:				
Growth Funds	$ 106,867	$ -	$ -	$ 106,867
Income Funds	58,987	-	-	58,987
Other Funds	82,638	-	-	82,638
Total Mutual Funds	248,492	-	-	248,492
Total Assets At Fair Value	$ 2,220,316	$ -	$ -	$ 2,220,316

2. INVESTMENTS (CONTINUED)

Assets At Fair Value As Of June 30, 2012

	Level 1	Level 2	Level 3	Total
Fixed Income Securities:				
Government Sponsored Enterprise Securities	$ 269,861	$ -	$ -	$ 269,861
U.S. Treasury Notes	200,350	-	-	200,350
Corporate Bonds	136,010	-	-	136,010
Total Fixed Income Securities	606,221	-	-	606,221
Equity Securities:				
Consumer Goods Industry	$ 137,733	$ -	$ -	$ 137,733
Industrial Goods Industry	140,952	-	-	142,952
Services Industry	255,610	-	-	255,610
Technology Industry	204,999	-	-	204,999
Other	422,825	-	-	422,825
Total Equity Securities	1,162,119	-	-	1,162,119
Mutual Funds:				
Growth Funds	$ 89,350	$ -	$ -	$ 89,350
Income Funds	65,090	-	-	65,090
Other Funds	75,252	-	-	75,252
Total Mutual Funds	229,692	-	-	229,692
Total Assets At Fair Value	$ 1,998,032	$ -	$ -	$ 1,998,032

Fixed Income Securities Mature As Follows:

	2013	2012
Within Three Years	$ 199,235	$ 229,680
Three To Ten Years	399,639	376,541
	$ 598,874	$ 606,221

Net Investment Income Consisted Of:

	2013	2012
Interest And Dividends	$ 50,223	$ 54,513
Net Realized And Unrealized Gains (Losses)	206,645	(7,303)
	$ 256,868	$ 47,210

Investment management fees totaling $28,520 and $26,773 are included in administration expenses for the years ended June 30, 2013 and 2012, respectively.

Debt securities and a money market account with a total value of $604,373 and $609,627 at June 30, 2013 and 2012, respectively, are pledged to secure the bank line of credit described in Note 7.

3. INCOME TAXES

The Internal Revenue Service has determined that the MACPA is exempt from federal income tax under Section 501(c)(6) and that the Foundation is exempt from federal income taxes under Section 501(c)(3). The income of BLI, Inc. is subject to federal and state income taxes. BLI, Inc. had no income tax expense for the years ended June 30, 2013 and 2012 and had net operating loss (NOL) carryovers of $573,277 and $549,586 as of June 30, 2013 and 2012, respectively. The carryovers begin to expire in 2023. Due to the uncertainty of the realization of the deferred tax asset associated with the NOL carryovers, management has provided a 100% valuation allowance against the deferred tax asset at June 30, 2013 and 2012.

The Association has adopted ASC 740, *Income Taxes*. Based on its evaluation, the Association has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. The tax years ended June 30, 2010 through June 30, 2013 remain open to examination by tax jurisdictions to which the Association is subject. The Association's policy is to record interest and penalties related to unrecognized tax benefits as income tax expense. No interest or penalties have been recorded as a result of tax uncertainties.

4. LEASE COMMITMENTS

The Association is presently obligated under leases for office and classroom space in Dulaney Center in Towson, Maryland which expires June 30, 2014, and a lease for office and classroom space in Columbia, Maryland which expires May 31, 2017.

Future minimum lease payments under the terms of the leases are as follows:

Years Ending June 30,		
2014	$	286,957
2015		35,756
2016		36,828
2017		34,686
Total Future Minimum Lease Payments	$	394,227

The lease agreements also require payments based upon the landlords' costs of insurance, real estate taxes, and operating expenses. Rent expenses, including executory costs paid to the landlords, totaled $302,854 and $300,204 for the years ended June 30, 2013 and 2012, respectively.

5. RETIREMENT PLAN

The Association has a retirement plan that qualifies under section 401(k) of the Internal Revenue Code. The plan covers employees who have attained the age of 21 and have completed one year of service. The Plan is a safe harbor plan that includes a safe harbor contribution and a profit sharing contribution that is vested over six years. The plan is funded in the following ways:

- Safe-harbor contributions made by the Association equal to 3% of participants' compensation.

5. RETIREMENT PLAN (CONTINUED)

- Profit sharing contributions made by the Association to all eligible participants at a rate determined annually by the Board of Directors. Profit sharing contribution rates for each of the years ended June 30, 2013 and 2012 was 3% of annual compensation.
- Discretionary personal contributions made by individual employees.
- The Association pays a match of 25 cents on every dollar of employee contributions. Employee contributions of up to 4% of annual compensation are eligible for a match for a maximum Association payment of 1% of an employee's annual compensation.

Retirement plan expenses totaled $112,697 and $109,033 for the years ended June 30, 2013 and 2012, respectively.

6. EDUCATIONAL FOUNDATION

The Foundation is a public charitable and educational organization as described under Section 501(c)(3) of the Internal Revenue Code. The Foundation's assets are to be expended for its exempt charitable and educational purposes which include providing scholarships to accounting students based on need, merit and the desire to pursue a career as a Certified Public Accountant. The MACPA made contributions to the Foundation of $-0- and $5,914 for the years ended June 30, 2013 and 2012, respectively. The Foundation's financial statements are consolidated with the Association's and include:

	2013	2012
Cash and Investments	$ 268,862	$ 254,679
Contributions Receivable	1,818	1,818
Total Assets	$ 270,680	$ 256,497
Total Liabilities	$ -	$ -
Unrestricted Net Assets	$ 270,680	$ 256,497
Total Revenues and Gains	$ 23,184	$ 24,841
Total Expenses	9,000	11,600
Increase in Unrestricted Net Assets	$ 14,184	$ 13,241

7. LINE OF CREDIT

The Association may borrow up to $250,000 under terms of a revolving line of credit with a bank. The line, which expires on December 29, 2013, bears interest at the bank's prime rate, and is secured by an investment account described in Note 2. No draws were made on the line during the years ended June 30, 2013 and 2012.

8. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through the date of the independent auditor's report, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the consolidated financial statements.